

# NEWSLETTER – DECEMBER 2001

## CHRISTMAS CHEER



We take this opportunity to thank all our clients and associates for your support during 2001 and wish you a joyous Christmas and a prosperous new year.

## CHRISTMAS OFFICE CLOSURE

Our office will be closed on Public Holidays during the Christmas period. On other days between **26 December 2001** and **31 December 2001**, we will be available to service your requirements.

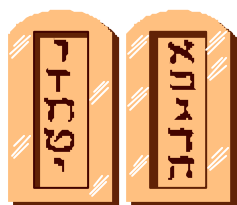
## RECORDS MANAGEMENT

One very important part of business, which is often neglected, is the storage retention and recall of business records.

The methods used to keep these records vary greatly from business to business.

Standards Australia has produced AS4390 titled Records Management Series as a guide outlining the steps involved in implementing an effective records management system which is designed to help promote productivity.

All aspects of record management are discussed in the AS4390 series. These standards are designed as a guide through the compilation of the files, retention, recall, and the process of destroying documents. The standards cover the strategies, procedures and practices for both manual and computerised systems.



The series consists of six parts.

- AS4390.1 -1996, Records Management - General
- AS4390.2 -1996, Records Management - Responsibilities
- AS4390.3 -1996, Records Management - Strategies
- AS4390.4 -1996, Records Management - Control
- AS4390.5 -1996, Records Management - Appraisal and disposal
- AS4390.6 -1996, Records Management - Storage

You can call the Standards Australia customer service centre on 1300 65 46 46, or you can visit their website at [www.standards.com.au](http://www.standards.com.au) to get further information on these publications.

We would recommend that you take a serious look at the records management system in operation in your organisation.

## INSIDE THIS ISSUE

- CHRISTMAS CHEER
- CHRISTMAS OFFICE CLOSURE
- RECORDS MANAGEMENT
- DIESEL FUEL REBATE SCHEME AND THE DIESEL AND ALTERNATIVE FUELS GRANTS SCHEME
- PENSION BONUS SCHEME
- REFORMS IN THE PIPELINE FOR SUPERANNUATION

## DIESEL FUEL REBATE SCHEME AND THE DIESEL AND ALTERNATIVE FUELS GRANTS SCHEME

The Diesel Fuel Rebate Scheme and the Diesel and Alternative Fuels Grants Scheme are Government schemes that have been in operation since 1 July 2000. We thought it appropriate to remind readers of the schemes and their potential eligibility.

The Diesel Fuel Rebate Scheme provides a rebate for customs or excise duty paid on diesel or “like” fuels used for off-road purposes in certain business activities. Some of the activities include mining, agriculture, forestry, fishing, rail transport and marine transport.

This scheme will apply to fuel purchased until 30 June 2002 and the latest date for claims made under this scheme will be 30 November 2002.

The Diesel and Alternative Fuels Grants Scheme provides grants for the on road use of fuel by businesses and other entities. The scheme may apply to vehicles using diesel and alternative fuels that have a gross vehicle mass (GVM) of 4.5 tonnes or more and are registered for on road use. However there are further eligibility criteria regarding the enterprise undertaken, the vehicles GVM and the vehicles' use within defined metropolitan areas. This scheme will apply to fuel purchased until 30 June 2002 and the latest date for claims made under this scheme will be 1 December 2002.

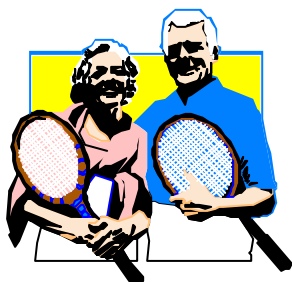
After 1 July 2002 the two schemes will be replaced by the Energy Grants (Credits) Scheme providing similar benefits.

Should you think that the schemes could apply to your enterprise please do not hesitate to contact us to discuss your potential eligibility.

## **PENSION BONUS SCHEME**

The Pension Bonus Scheme ("PBS") has been available to older Australians by the Commonwealth Government since 1998. It provides an incentive to defer claiming the Age Pension and remain in the workforce. The bonus is a one-off, tax free lump sum payment to older Australians who satisfy the following criteria:

- A claim for the Age Pension must be deferred for a minimum of 12 months from date of registering for the scheme; and
- At least 960 hours of gainful work must be performed each year.



Older Australians who are not eligible under the PBS are those that have previously received social security payments (except for carer payments). The scheme is voluntary and if eligible, applications should be made at Centrelink within 13 weeks of reaching age pension age. If the bonus is applied for after this time Centrelink may be able to backdate the registration. The earliest date you can become a member of the Scheme is the date you reach Age Pension age and meet the residency requirements for the Age Pension.

Both members of a couple may be eligible for the scheme. If one member of the couple does not work, then the work undertaken by the other member of the couple may earn a bonus for both. The amount of bonus that can be paid will depend upon the following:

- Marital status during the deferment;
- The length of the deferral period; and
- The rate of Age Pension when it is eventually paid. (The rate is based on an income and asset assessment undertaken when actual claiming of the Age Pension and the bonus occurs.)

If you are not eligible for the Age Pension, you will not be entitled to the bonus. There is a maximum period of five years of deferment, which can be taken into account in calculating the bonus payable. However, the bonus cannot be accrued for work conducted after the age of 75.

If the conditions are met, the bonus is paid on retirement and the Age Pension and the bonus can be claimed. The table below indicates the maximum amount of bonus payable for each bonus year:

Bonus Years	Single	Partnered (each)
1	\$1,003	\$837
2	\$4,013	\$3,349
3	\$9,029	\$7,535
4	\$16,052	\$13,397
5	\$25,081	\$20,932

Should you require any assistance with an application or any further information, please do not hesitate to contact our office.

## REFORMS IN THE PIPELINE FOR SUPERANNUATION

### INTRODUCTION

Following the re-election of the Coalition Government on 10 November 2001, a series of reforms to superannuation are expected over the next two years. These reforms will be designed to provide greater incentives for voluntary contributions, broaden the availability of superannuation to more Australians and remove inequities in the system. The Government is also planning to improve the security of superannuation benefits.

### SPLITTING OF SPOUSE

#### SUPERANNUATION CONTRIBUTIONS

Designed to benefit single income families or families with a low-income spouse, the proposed reform would enable spouses who are members of accumulation superannuation funds to share their superannuation benefits. The reform would be applicable to both personal and employer contributions and allow a spouse to make superannuation contributions into a separate account under the name of the other spouse. Consequently, single income families (or predominantly single income families) would have access to two Reasonable Benefit Limits (RBLs) and tax-free thresholds in the same way that dual income families do. This reform is expected to be implemented 1 July 2003 after consultation with the key stakeholders.

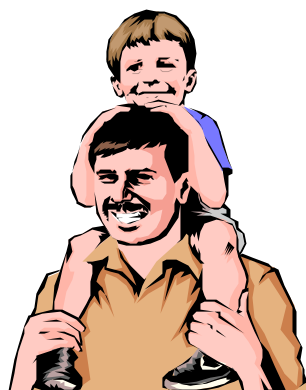
At this stage there is indication whether contributions to spouses will be tax deductible or not.

The example given in the Coalition's Superannuation Policy is as follows:

*Ashley is in the workforce from the age of 18 to 28 and then leaves the workforce to spend 5 years at home caring for children. Ashley returns to the workforce at age 33 and works until age 65. If Ashley's spouse contributes \$1,000 for superannuation for Ashley during each of the 5 non-working years, the balance of Ashley's superannuation at age 65 with a return of 7% per annum will be approximately \$38,000 higher than it would otherwise be.*

### CONTRIBUTIONS FOR CHILDREN

In order to promote superannuation as a life-long saving strategy, the Government plans to enable parents, grandparents, other relatives and friends to make superannuation contributions on behalf of children who would not otherwise have any superannuation. Contributions up to a maximum of \$1,000 per annum would be allowed on a child's behalf, providing a foundation on which the child could build for their future. It is expected this reform will take effect on 1 July 2002. At this stage there is no indication whether contributions to a child will be tax deductible or not.



The example given in the Coalition's Superannuation Policy is as follows:

*James' grandparents contribute \$800 to his superannuation on his behalf in each of the first 18 years of his life. At the age of 18 and with a return of 7% per annum, James will have a superannuation balance of approximately \$26,000. Without any further contributions, his superannuation will increase to approximately \$395,000 by the time he reaches the age of 65.*

### SELF EMPLOYED DEDUCTION LIMIT INCREASE

Under existing legislation, self-employed workers can claim an income tax deduction to the lesser of either the first \$3,000 of contributions plus 75% of the excess over \$3000, or the taxpayer's aged based limit. From 1 July 2002, the Government plans to allow full deductibility of the first \$5,000 of contributions paid plus 75% of the excess over \$5,000 up to the taxpayer's aged-based deduction limit.

## CO-CONTRIBUTION MATCHING FOR LOW INCOME EARNERS

The Government plans to introduce a co-contribution scheme for low-income earners. Under the scheme, the Government would match personal superannuation contributions up to a limit of \$1,000 for those earning \$20,000 or less and tapering off for those on incomes between \$20,000 and \$32,500. This scheme will replace the 10% rebate that currently applied to contributions up to \$1,000 for incomes below \$27,000, and tapering off for incomes up to \$31,000. The co-contribution scheme is expected to take effect from 1 July 2002.

## SUPERANNUATION SURCHARGE REDUCTION

The Government plans to reduce superannuation surcharge rates by a tenth of their current level each year for three years starting as of 1 July 2002. Over the three-year period, the top surcharge rate would be reduced from 15% to 10.5% (1.5% reduction each year). At the conclusion of this period, the Government intends to review the surcharge rate.



Under current legislation, the surcharge begins to apply for taxpayers with adjustable taxable incomes of \$85,241 (indexed to Average Weekly Ordinary Time Earnings) and is phased in until the full 15% surcharge applies to incomes of \$103,507.

## OTHER REFORMS

- The Government plans to increase the contribution age limit from 70 to 75 for people still working. From 1 July 2002, working members of a superannuation fund would be able to make personal superannuation contributions until they are 75 years of age.

- From 1 July 2003, the Government plans to make it mandatory for employers to make quarterly contributions on behalf of employees. Presently, only annual contributions are mandatory.
- The Government plans to continue to push for legislative reform to allow employees to choose who manages their superannuation fund and the ability to move their superannuation from one fund to another. The Senate previously rejected legislation to give employees a choice of funds and allow portability of superannuation.
- The Government is expecting to examine the possibility of allowing certain market linked income streams (known as growth pensions and sometimes referred to as account-based income streams) to receive tax and social security concessions.
- The Government plans to extend the circumstances under which contributions to a superannuation fund can be made to enable the first child tax refund (yet to be introduced) to be contributed to the recipient's superannuation fund.

## INCREASED PRUDENTIAL REGULATION

The Government is expecting to provide an additional \$5.2 million to expand the Australian Prudential Regulation Authority's (APRA) superannuation investigation and enforcement capability. The Government is also considering a range of measures including universal APRA prudential licensing of superannuation funds, minimum capital requirements and compulsory annual general meetings. New measures such as these are expected to be implemented during mid-2002.

Please note - this newsletter is for the general information and exclusive benefit of clients and associates of Kennedy & Co. It contains brief comments not intended to be the basis for decision making nor to be taken as a substitute for specific advice. Please contact this firm to discuss any matters that may be relevant to your individual situation.

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